

# Introduction

---

## 1.1 BACKGROUND

Over the years, the Federal government has committed significant resources toward implementing Federal financial management systems that meet its needs for timely, useful, and reliable financial information. Agencies are making progress, but additional improvement is needed. To facilitate the move toward modern financial systems, standardizing financial management was identified as one of several government-wide initiatives to improve the management of the Federal government.

The financial management standardization initiative leverages shared solutions and technology investments across government by integrating agency operations and information technology investments by normalizing the underlying business processes of Federal agencies. OMB Circular A-127 prescribes policies and standards for executive departments and agencies to follow in managing financial management systems. A core financial system within the financial management system must be commercial off-the-shelf and certified by the Financial Systems Integration Office (FSIO). Previously, agencies had to implement systems that had been certified by FSIO as meeting the Core Financial System Requirements, but could configure those systems to support their agency-specific business processes. In the future, the certification process will include both the Core Financial Systems Requirements and the Standard Financial Processes (as defined in this document). Shared Service Providers will subsequently implement the FSIO tested and certified software which will include CGAC and the standard business processes and will be released as the Federal configuration.

One of the measures of success for this initiative is to implement financial management processes and systems that comply with the Federal Financial Management Improvement Act of 1996 (FFMIA). FFMIA requires that agency systems comply with: Federal financial management system requirements, applicable accounting standards, and United States Standard General Ledger (USSGL) at the transaction level.

In the short term, the standardization effort will help agencies:

- *Promote a universal understanding of standard government financial business processes.* Establishing standard financial business processes for Federal agencies promotes a uniform way of doing the government's financial business. The defined processes and data no longer will vary from agency to agency or system to system. Use of standard financial business processes reduces training and start-up time for agency financial personnel transferring from one agency to another. Standard processes make it easier for managers to determine where controls need to be placed or implemented in the processing of accounting events.
- *Incorporate best business practices.* A number of agencies are in the process of moving from *bureau-level* systems to enterprise-wide systems. Each implementation begins with a task of defining the processes used within the agency. Standard business processes provide a uniform framework, reduce the burden of making decisions on how to conduct business, and facilitate the implementation process.

In the long term, the standardization effort will help agencies:

- *Aid in the evolution of financial management throughout the Federal government.* There is a logical sequence of steps to an overall standardization strategy for Federal financial management that includes common business processes, data definitions, and accounting classification elements. The standard government financial business processes are building blocks to a future state that will take a number of years to implement.
- *Mitigate the risks associated with system implementation by providing a uniform starting point for configuration.* FSIO certified vendors will provide a Core Financial System that not only incorporates the Standard Federal Financial Business Processes (SFFBP) (as defined in this document), but also includes the system configuration that was used to complete and pass the certification test. This pre-configured software will significantly reduce the time and effort it takes an agency to implement the Core Financial System, as well as minimize the risk of an incorrect configuration that could result in the inoperability of the Core Financial System.
- *Ease the transition when an agency moves to a new financial management system or shared service provider.* Considerable effort is usually dedicated to defining business processes when an agency moves to a new Core Financial System. The SFFBP establish uniform procedures that will be used across the Federal government. The use of these standard processes will significantly reduce the amount of process mapping and training that will be required when migrating to a new Core Financial System.
- *Facilitate data exchange among an agency's financial systems.* The SFFBP are an integral step towards establishing standard data exchanges (interfaces) between an agency's Financial Management System, which contains the Core Financial System, and an agency's mixed systems (feeder systems). An additional benefit of the SFFBP is establishment of standard data exchanges (interfaces) between an agency's Financial Management System and the central agencies for external regulatory reporting, e.g., Treasury Financial Management Service (FMS).

The *Standard Business Processes Document* encompasses applicable established financial standards used in the Federal government. The policy and governance for classifying the financial effects of the government's business operations are as follows:

- Office of Management and Budget (OMB), including the Office of Federal Financial Management (OFFM), Circulars, Bulletins and Memorandums;
- Department of the Treasury, Treasury Financial Manual (TFM), including the USSGL and Managing Federal Receivables Guidance;
- Financial Systems Integration Office (FSIO) on behalf of the FSIO Transformation Team, a working-group of the Chief Financial Officers (CFO) Council, Core Financial Systems Requirements Document;
- Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) and Concepts Implementation Guides; and
- Government Accountability Office (GAO) Auditing Standards.

Policies, procedures, and requirements detailed in authoritative guidance are not repeated in this document, rather they are cited as they apply to specific steps within the processes.

## 1.2 PURPOSE AND SCOPE OF THIS DOCUMENT

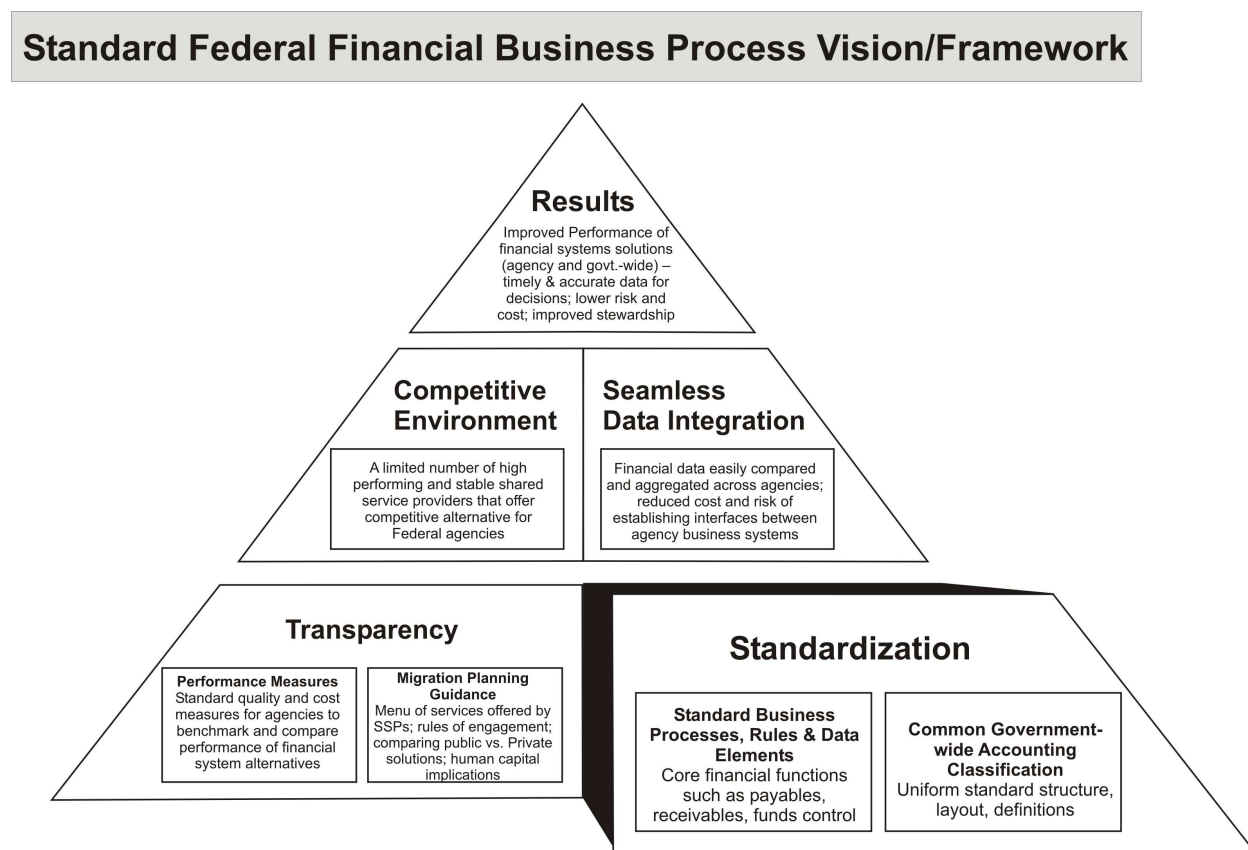
This document presents government-wide common processes and activities, standard business rules, and data exchanges for core financial business processes. Standardizing business processes across the Federal government identifies opportunities to streamline processes and unify work across the agencies and within the Federal government's financial management domain. The outcome will be a more citizen-centered, customer-focused government that maximizes technology investments to better achieve mission outcomes.

The Standard Federal Financial Business Processes (SFFBP) include:

- Sequenced activities for core business processes;
- Business rules governing the process steps;
- Data elements and definitions related to these business processes (e.g., information contained on an obligation – document source, document number, item number, price per item); and
- Relationships among the data elements as they exist in the actual business activities.

The SFFBP document is intended for use by the Federal financial management community to provide guidance for implementing efficient business processes that are consistent throughout the Federal government. Primary users will include accountants, budget analysts, financial and program staff, software vendors, and contractors who support financial management system implementations.

This document supports the financial management standardization vision as part of the standardization foundation, as highlighted in the following diagram.



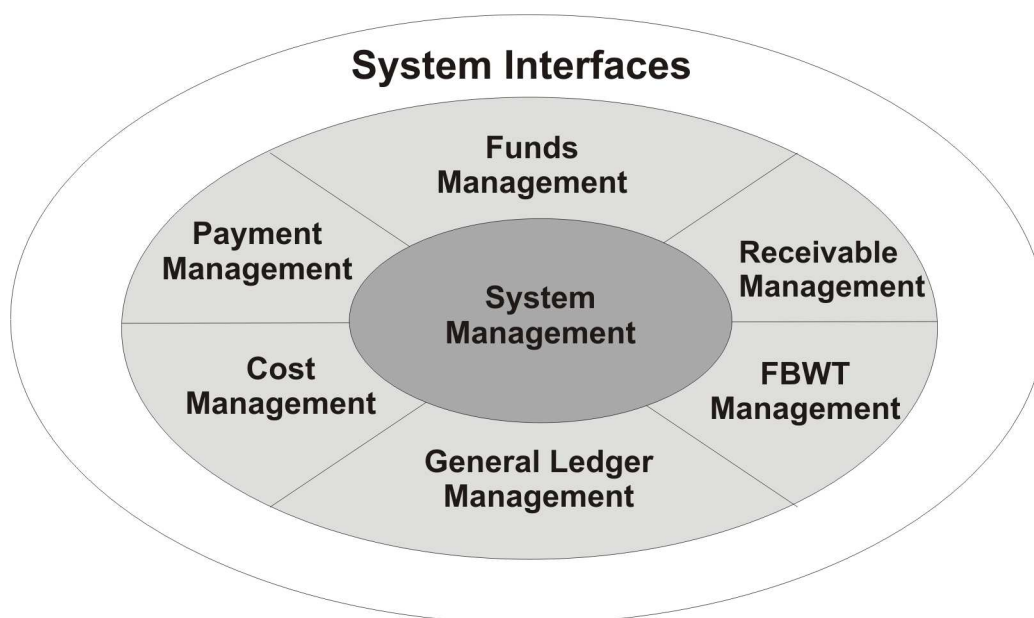
***Figure 1-1: Standard Federal Financial Business Process Vision/Approach***

The subsequent chapters in this document describe the business process flows for core financial business processes, the associated business rules, along with representative USSGL pro-forma entries for the process described. The document will also provide the standard data elements and business rules for the harmonized exchange of data between the common administrative systems (e.g., Grants, Acquisitions, Travel, and Payroll) and the core financial system.

Appendices include the financial management standardization vision and approach to developing SFFBP, a glossary of standard terms and definitions used in this document, a list of relevant laws and regulations affecting Federal financial management and standard business processes, and acknowledgement of those who contributed to this document.

## 1.3 STANDARD FEDERAL FINANCIAL BUSINESS PROCESSES WITHIN CONTEXT OF CORE REQUIREMENTS

Among the *Federal Financial Management System Requirement (FFMSR)* documents is the *Core Financial System Requirements*. It sets forth requirements for the core functions that must be supported in all Federal financial management core systems. The core system functions are as follows:



**Figure 1-2: System Functions**

Core financial systems provide specific functional capabilities necessary for managing a general ledger, controlling spending, making payments, managing receivables, measuring costs, reconciling the agency's Fund Balance with Treasury, and reporting in the Federal environment.

The financial management standardization effort has identified the following business processes for standardization:

- Funds Management;
- Payment Management;
- Receivables Management;
- Reimbursables (which actually crosses all of the above processes); and
- Reporting.

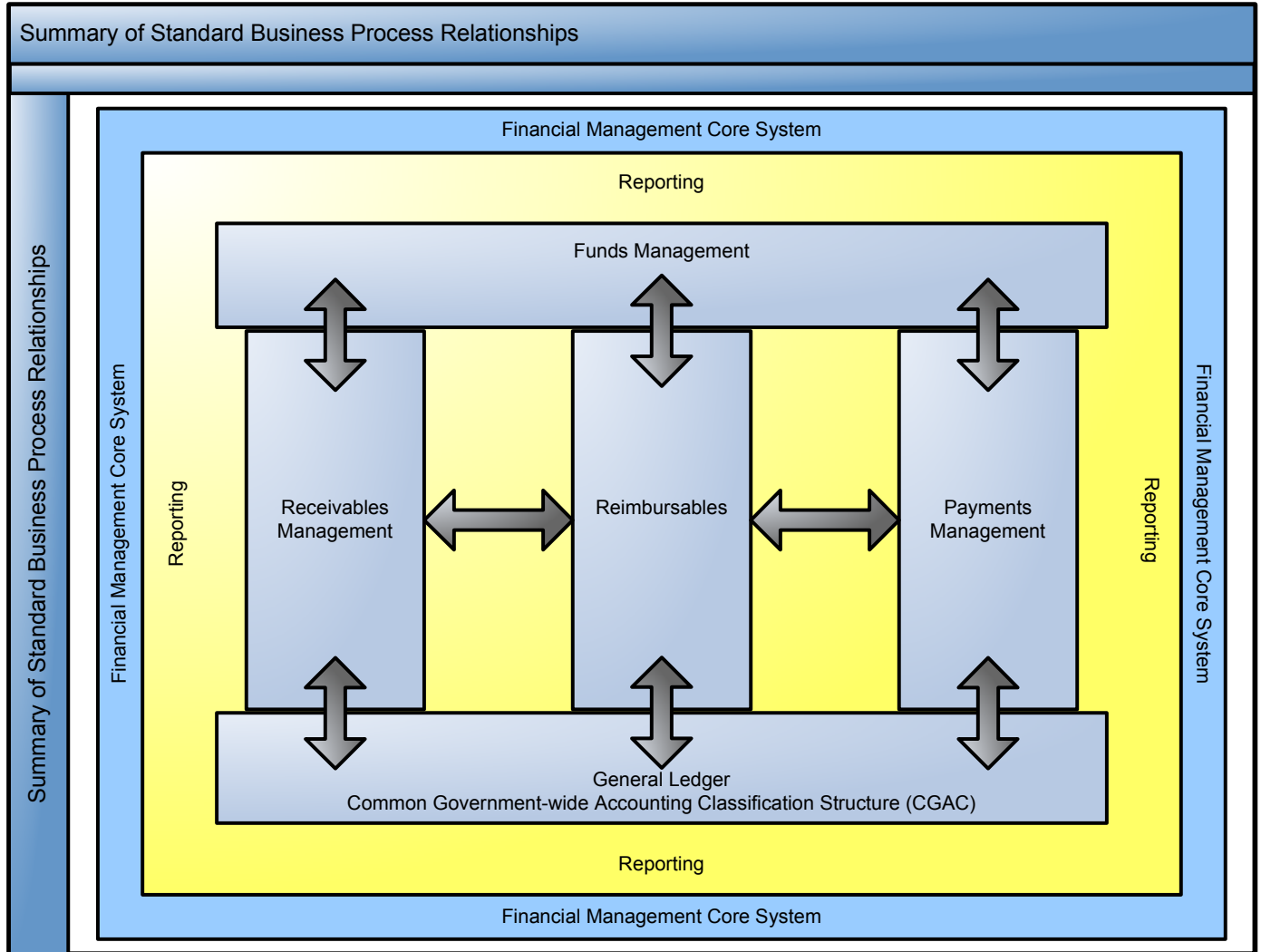
## 1.4 SUMMARY OF STANDARD BUSINESS PROCESS INITIATIVES

The financial management standardization effort includes four business processes: Funds Management, Payment Management, Receivables Management, and Reimbursables Management. The business processes are presented in chapters, which depict their respective processes in flowcharts. Following each flowchart are descriptions of the processes, steps and related business rules. The standard process steps reflect best practices in an electronic environment, sound internal controls, and compliance with Office of Federal Financial Management (OFFM) Core Financial System Requirements (CFSR).

The chapters of the financial management standardization business process document are described as follows:

- **Funds Management.** This chapter includes processes related to the establishment of budgetary authority, funds distribution and funds control. The Funds Management processes describe the recording of the Apportionment and Reapportionment Request (SF 132) and assist agencies in complying with all applicable financial management statutes, regulations, and requirements. In addition, the steps outlined provide standard processes for ensuring effective Funds Control policy.
- **Payment Management.** This chapter includes processes from requisition to payment for commercial contracts and small acquisitions disbursed by Treasury. The Payment Management processes described include goods/services receipt and acceptance, invoice entry and processing, and disbursement. The processes are written assuming best practices, which include, but are not limited to: electronic processing, information routing, review and approval, and separation of duties. In addition, the standard processes included ensure effective cash management.
- **Receivables Management.** The Receivables Management processes were developed in accordance with Treasury's *Managing Federal Receivables* guidance. The chapter includes processes from establishment of a receivable due from the public to the application of receipts. The Receivables Management processes described include establishment and analysis of receivable, including billing and collection activities. The processes are written assuming best practices, which include, but are not limited to: cost effective debt collection and performance measures. In addition, the standard processes included ensure: customer responsiveness and effective cash management.
- **Reimbursables Management.** Development of this chapter is not yet complete and will be included in a future release. Note: This process contains elements of the Funds Management, Payment Management and Receivables Management processes.
- **Reports.** Development of this chapter is not yet complete and will be included in a future release. The format of this chapter has not been determined.

The diagram below depicts Payment Management, Receivables Management, and Reimbursables Management as processes within the Core Financial System under the parameters of Funds Management that are facilitated through the use of the Common Government-wide Accounting Classification structure. Reporting is used throughout the Core Financial System to provide management with accurate and timely information needed to support business decisions, financial statements and effective program operation.



**Figure 1-3: Summary of Standard Business Process Relationships**

See Appendix C – Business Process Flowcharts, Symbols, and Definitions for an enlarged version of the flowchart